

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE

OPEN SESSION

Friday, June 11, 1999

9:10 a.m.

The Westin - Tabor Center
1672 Lawrence Street
Denver, Colorado

COMMITTEE MEMBERS PRESENT:

Maria Luisa Mercado, Chair
John T. Broderick, Jr.
Edna Fairbanks-Williams
F. William McCalpin
Thomas F. Smegal, Jr.

STAFF PRESENT:

John McKay, President
Victor Fortuno, General Counsel and Secretary
Suzanne B. Glasow, Associate General Counsel
David Richardson, Treasurer/Controller

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C-08929

C O N T E N T S

	PAGE
Approval of agenda	3
Approval of minutes	3
FY '99 budget - D. Richardson	6
Testimony for FY 2001 budget	35
Other business	37
Adjournment	37
MOTIONS: 3, 5, 35, 37	

P R O C E E D I N G S

1
2 CHAIR MERCADO: I would like to welcome
3 everyone to our Finance Committee meeting and note for
4 the record that we do have a quorum. The whole
5 committee is here, thank you, and President John McKay.

M O T I O N

6
7 CHAIR MERCADO: You have the agenda before you
8 for the Finance Committee. I will entertain a motion
9 for approval of the agenda.

10 MR. BRODERICK: So moved.

11 MR. SMEGAL: Second.

12 CHAIR MERCADO: All those in favor?

13 (Chorus of ayes.)

14 CHAIR MERCADO: The next item that we have is
15 approval of the minutes of the committee meeting of
16 February the 20th of '99. Are there any corrections or
17 additions to the minutes?

18 MR. SMEGAL: I don't know why I let Mr.
19 Broderick actually make a motion. I see there are a
20 couple of them here.

21 MR. BRODERICK: I have to jump in very
22 quickly.

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C-08931

1 MR. SMEGAL: It's that youth you have going
2 for you.

3 MR. BRODERICK: The only comment I would make,
4 and I think Bill McCalpin may have made it at the board
5 meeting the last time, the minutes are getting pretty
6 skeletal, so it's sometimes hard to go back and
7 reconstruct if it's accurate. But they are sometimes
8 very cryptic.

9 My suggestion would be that perhaps they would
10 be fleshed in a bit more. But maybe I am the only one
11 that feels that way.

12 CHAIR MERCADO: Actually, the minutes that I
13 looked at, not only for our committee, but for the
14 other committees, I thought they were actually more
15 fleshed out than they have been in the past. So I am
16 grateful for that because it gives you a little bit
17 more synopsis of what we have actually discussed and
18 debated on. I don't know who does the minutes, but we
19 want to thank you for them.

20 MR. MCKAY: Victor's office has handled the
21 minutes. After our last meeting, Madam Chairman, we
22 had some restaffing on that issue, and I think just

1 after Judge Broderick's comment we are working hard to
2 make them as detailed as they need to be. I don't
3 think minutes need to be a transcript of the hearing,
4 but they should have, obviously, the motions, the key
5 decisions and key actions of every committee, and
6 that's what we are trying to do.

7 I don't see our corporate secretary here, but
8 I will pass the committee's comments on to him both in
9 terms of acknowledging the improvement and the need to
10 focus on it.

11 MR. SMEGAL: And I would second the
12 improvement. I notice there are three paragraphs which
13 are all one sentence. I believe the prior minutes that
14 Justice Broderick referred to did not have a paragraph.
15 So there is some neat in here. The president is
16 correct. I think whoever did this, and they are
17 certainly moving in the right direction, but not far
18 enough.

19 CHAIR MERCADO: Having heard those comments,
20 are there any additions or corrections to the minutes?

21 M O T I O N

22 MR. SMEGAL: I move they be approved.

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C-08933

1 MR. BRODERICK: I second that.

2 CHAIR MERCADO: All in favor?

3 (Chorus of ayes.)

4 CHAIR MERCADO: The next item on the agenda is
5 to review the projection of expenses for the remainder
6 of FY '99, including the internal budgetary adjustments
7 and also to act on the president's and inspector
8 general's recommendations for consolidated operating
9 budget reallocations.

10 I believe Mr. Richardson will present those
11 items.

12 MR. RICHARDSON: There is actually three
13 handouts I have given you, and the first one is just to
14 show you the spending for the six-month period ending
15 March. We built our projections based upon this
16 spending through March. And, by the way, for the
17 record, and for the audience, my name is David
18 Richardson, and I am the treasurer/controller of the
19 corporation.

20 We do have a budget of \$302 million of which
21 290 million is for the delivery of legal assistance.
22 We have 9.8 million for management and administration,

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C-08934

1 and 2.176 for the IG.

2 You will note that there is some remaining
3 funds through March in the Basic Field category. That
4 is mainly because of funding decisions having not been
5 made on an annual basis for some of our grantees, but
6 that money is earmarked for specific delivery areas.
7 So that money will be committed more than likely in the
8 next few months for the remainder of the year when the
9 decisions will more likely be made.

10 With this national emergency grants we have
11 spent that money. At the last meeting we reported to
12 you that out of this line we had a couple of
13 emergencies that we were funding, and that we were also
14 funding some technical assistance grants for our
15 grantees on the state planning process. So that money
16 is fully spent at this time.

17 The Court of Veterans Appeal money, we are
18 administering that grant. That is a pro se grant with
19 the Court of Veterans Appeals. And the \$9,000 is to
20 support the cost that the corporation has in the
21 administration of that grant.

22 As far as with management administration, you

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C-08935

1 will see that with our budget of \$9.8 million, we have
2 only spent approximately \$3.9 million. When you
3 annualize that, that is certainly less than \$4 million.
4 On first blush you would think that we are going to
5 have a million-eight carry-over.

6 When I go through the projections I will
7 report to you some of the one-time costs that we are
8 incurring. There is a number of new staff that have
9 come into the corporation, and the money will be spent
10 according to the projections that I have received from
11 the directors and officers of the corporation.

12 MR. SMEGAL: You expect at the end of the
13 year, with the projections you have, to expend the
14 nine-million eight-hundred-forty? Is that what you are saying?

15 MR. RICHARDSON: In that close range. We
16 actually have projected expenses of 9.65 million.

17 MR. SMEGAL: Okay.

18 MR. RICHARDSON: And with that, we can look at
19 the spending for the six-month period. Everything is
20 sort of on tap. On the very next page you will see it
21 by budget category for the different offices with the
22 board of directors. The 71,000 that has been spent, of

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C-08936

1 course, is to support your activities, the two meetings
2 that we have had to date and other board travel.

3 The Executive Office has spent to date
4 \$402,000. Will note here that in the travel and
5 transportation is the biggest area there that the
6 president and the staff there have been actively
7 engaged in the state planning process, going around to
8 different grantees, going to the ABA meetings, and
9 going to the NLADA events. So we are going to actually
10 ask for a little bit more money to be placed in the
11 Executive Office because of that.

12 Within General Counsel I am happy to report
13 that while he has spent 237, almost 38,000 of his
14 budget, the original budget was 805,000. The reason
15 that that is down is because we have experienced much
16 less litigation than was originally forecasted. We
17 will be showing you that and asking that that money be
18 moved to help support other areas.

19 Government Relations. Pretty much on target
20 with the 187,000. Human Resources is a little bit
21 behind, but we have some summer projects that will be
22 spent there. There is actually one staff member that

1 will be coming on in the next few weeks, and then that
2 office will be fully staffed.

3 The Office of the Controller, I am happy to
4 report that we do have a new budget officer. Chris
5 Sundseth is with us today. He just started this week.
6 He has previous experience in the corporation. He has
7 done some budget modelling. He is an economist by
8 trade, and he also has experience with the Results Act.
9 So we hope to make Chris a very valuable part of our
10 team, and getting our budget and strategic planning in
11 compliance with GPRA, and we are happy to have him with
12 us.

13 The Office of Technology, 506,000 there.
14 There is a number of projects going on that I will go
15 through, that Leslie is handling with OIT. And he is
16 projecting, actually, a need for additional money. His
17 budget before was 1.2 million. He has not quite spent
18 50 percent of it, but there is a lot of activities that
19 will be going on this summer and into September.

20 Program Performance, Information Management,
21 and the Compliance Office, you will see that these are
22 broken out for the first time as far as reporting

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C-08938

1 because we did go through the reorganization with Mike
2 Genz and Ted Faris and Mr. Cordona.

3 There has been a lag in some staffing here, so
4 they are a little spending behind as far as the total
5 budget, but they have in the last few weeks hired a
6 number of people and have additional staff coming on.
7 And, again, they are looking to spend their money fully
8 also.

9 The inspector general, his budget is
10 2.1 million. He has spent 751,000 to date. And I am
11 told by his budget manager, Mr. Maddox, that their
12 budget will be very close to being spent also by year
13 end because of the contracts that they have let for
14 some different engagements this summer and the
15 continued spending of that office.

16 CHAIR MERCADO: Mr. Richardson, I just wanted
17 to make sure that, for the record, when your office and
18 general counsel -- a lot of the counsel that the
19 Corporation has used in the cases that there has been
20 litigation, has been pro bono counsel; is that correct?

21 MR. RICHARDSON: That is correct.

22 As far as with the projection, the agenda item

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C-08939

1 that we do have to discuss today, each year we do a
2 six-month review and we do a nine-month review. Just
3 to go back a little bit, normally we in October, right
4 before the beginning of the fiscal year, adopt a
5 temporary consolidated operating budget.

6 We come back to you at the annual meeting when
7 we have the carry-over, and we pass a full budget.
8 Between October and passing that January budget, the
9 directors and the officers of the Corporation are
10 reviewing the budget, putting it together, and taking a
11 good hard look at it. We do it again in March and
12 again in July.

13 So this process is a year-round process. At
14 the same time that we are doing this we have already
15 done a project for 2000 that was presented to the
16 Congress. And in the next few weeks there is an agenda
17 item on here for the year 2001 budget. The directors
18 will be looking at their offices and be doing their
19 budget for the 2001. And they will do another look at
20 the year 2000 budget based on the appropriations that
21 it appears we are having to make sure that we have got
22 enough money and see if we need to change direction in

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C-08940

1 anywhere and redirect resources.

2 Within the budget that is before you here you
3 will see that there is a number of adjustments. At the
4 annual meeting there was a \$375,000 contingency funds
5 that was left in the Executive Office to help cover
6 some of the expenses with the 25th annual anniversary
7 celebration with strategic planning, with comparability
8 study, and some of the other ongoing items throughout
9 the Corporation.

10 We have now taken another look at those and
11 many of those items have been spread throughout the
12 Corporation. For instance, there is some General
13 Counsel cost that is in Mr. Fortuno's budget. There is
14 some graphics and planning items that are in the
15 Government Affairs office.

16 There is a consultant that will be handling
17 the event that we are having at the White House. There
18 is a contract for that. That money is in the Executive
19 Office. So that money is now spread throughout the
20 Corporation and throughout the different offices that
21 have a part in that planning on those ongoing
22 activities.

1 So that's the reason you don't see 375,000
2 moving from the Executive Office. You have 233 because
3 some of those costs will be subsumed in the Executive
4 Office and others will be transferred to the different
5 offices throughout the Corporation. Additionally, we
6 are increasing the travel budget in the Executive
7 Office, and we are increasing that to \$72,000. And
8 that is up about \$30,000 from the original projections
9 -- excuse me, \$20,000 from the original projection.

10 And that's because we have a president, a vice
11 president -- two vice presidents, actually -- who are
12 out on the road travelling, going to these regional
13 directors meeting, helping to be out there and helping
14 to facilitate and show our support for the state
15 planning processes and the other things that are going
16 on in the field. It has been very successful.

17 I think you will hear later that we have had a
18 great deal of success in the state planning process,
19 and it is as a result of the Executive Office and the
20 president, in particular, going into the field to show
21 the support for the process that's ongoing there.

22 Within the General Counsel's Office there is

1 an amount of 168,000 that is being moved to support
2 other activities. Mainly that is, of course, money
3 from the litigation that we are not spending. There
4 has also been a lag time in hiring some of the General
5 Counsel staff. So that money is going to be put to use
6 elsewhere.

7 In the Government Relations Office we
8 originally budgeted for six people in that office. We
9 determined after the annual meeting, after Mr. McKay
10 reviewed the activities of the board and the ongoing
11 travel, it looked like increased travel requirements of
12 the board, that there were some additional assistance
13 needed to get the job done there to facilitate that.

14 So in the Government Affairs Office we have
15 hired a person to come in to help with that. But there
16 was other activities that they would be doing also to
17 help bolster our presence on the Hill and our public
18 affairs. So we are adding a staff member there. And
19 actually \$15,000 of this 46 is actually for some
20 graphical work that needed to be done for the annual
21 report, so we have moved some money there to
22 accommodate that.

1 Within Administration and Human Resources we
2 are adding \$153,000, almost 154,000. That is to help
3 with the ongoing operations within Administration.
4 There is some consulting going on there as far as our
5 docutech. As you see, most of the paper product that
6 you have is generated on a very large copying center
7 machine. And what we are going to do is we are going
8 to align that and have connectivity to the docutech
9 itself.

10 Currently you print something on a printer,
11 you take it into the docutech, and it's recopied. With
12 this connectivity you can print it straight from the
13 desktop.

14 Additionally, we are looking at putting the
15 transcripts of the board in electronic format so that
16 it can be accessed through Internet, through Intranet
17 within the Corporation, and it will be in electronic
18 format where you as a board will have access to it if
19 you like.

20 There is a lot of activities going on. In
21 this particular office there is some painting going on
22 in the Corporation. With the new staff coming in we

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C-08944

1 have furniture that has been purchased.

2 Our telephone systems and our voice mail is
3 not Y2K compliant presently. So instead of going
4 through a 35, \$45,000 upgrade, we have looked -- Miss
5 Kennedy, under her guidance and with Moe Wilson, has
6 looked at upgrading their system. There is a new
7 telephone system that should be installed there
8 shortly, and that's going to cost approximately
9 \$75,000. And then that way we will be Y2K compliant,
10 and we will have a more streamlined voice mail
11 messaging service that will actually connect with our
12 computers and our electronic mail.

13 So we are moving very fast into the 21st
14 century with our electronic and computing needs. There
15 is a lot of activity there. It's exciting to see the
16 progress that we have made in my 10, 12 years in the
17 Corporation, to see where we had the big Wang machine
18 in the back to the local area network. The Wang would
19 go down every Thursday at three o'clock, and was down
20 through the weekend. We were lucky if we were up by
21 noon on Monday.

22 The reliability of our network has been

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C-08945

1 excellent. And that is a tribute to Miss Kennedy with
2 what she has been able to accomplish in her office and
3 in particular Leslie Russell and his staff in the
4 Information Technology.

5 That will bring me to my office. We have an
6 excess. When we went through our office we did have a
7 hiring delay in getting our budget officer unit and
8 some other costs that it looks like we are not going to
9 have. So we have an excess of \$9,000 that we are
10 transferring out to help with the other operations.

11 In the Information Technology there is
12 additional money needed here, \$165,000. This is to aid
13 us again our technology, with the new staff. Need some
14 new computers, new software. We are looking at a
15 document management systems that we can scan.

16 I mentioned the transcripts. We have a lot of
17 paper around the Corporation. We have monitoring
18 reports, we have grant applications. All the stacks of
19 paper that you receive, it's multiplied in the
20 Corporation a great deal.

21 So what we are doing is we are looking at a
22 document management system again where we can scan it

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C-08946

1 into the system, have electronic access to it,
2 hopefully to free up some of the space that we have
3 where we have got boxes of paper sitting in corners and
4 applications that we can put it all on electronic
5 medium and hopefully free up the space and free up
6 staff time. Make it more available for the public and
7 for the people in the Corporation to access.

8 In addition to that with our computing needs
9 Mr. Russell and his staff have determined that we need
10 a couple of new servers. As you are aware, the GIMS
11 project is well under way. Most of the work that comes
12 in from the field is electronic, through the Internet.
13 And we need additional disk space and network capacity
14 to store the data and be able to analyze it. So some
15 of this cost will be going to that also.

16 We are also looking at electronic access for
17 different people within the office where if I am at
18 home over the weekend I can go to the computer, go
19 right into my desktop, and I can retrieve any document
20 that's on the network and be able to work on it, work
21 on the systems in the Corporation that is on the
22 network.

1 So, again, it's progress, and it does cost
2 money to make the progress we need. But we do see in
3 the long run that it will be very beneficial to the
4 Corporation. For instance, a meeting like this, with
5 the electronic access, if there was something going on
6 at the office I would be able to go to the computer and
7 dial up and go right in and access the documents.

8 If there is something wrong with the network,
9 let's face it, the computers do break down
10 occasionally, with the electronic access, the external
11 access, somebody could sit at home and do a fix on it.
12 Hopefully these one-time costs will give us a great
13 deal of benefit in the future.

14 Within the Program Compliance you will see
15 that there is an addition of \$110,000 there. Within
16 this budget, when we sat down and looked at it and
17 reviewed it, there was some additional money needed on
18 the state planning process. We are looking at the
19 possibility, and we have gone ahead and put the money
20 here, to continue to support that process.

21 If we do go out with some consulting
22 agreements at this point it will be paid and billed

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C-08948

1 through the Program Performance budget. That will
2 account for the increase there.

3 Information Technology, \$9,000. That is
4 mainly for travel and training. We have for three
5 years now had our grants information management process
6 -- the updates and the continuing progress of that has
7 been through the use of an external consultant.

8 With the restructuring of Program Operations
9 we now have their information management, and we have
10 trained staff to do those updates. So now we have
11 people who can post information to the web site, who
12 can do programming, report writing. So it's no longer
13 just canned reports that we are getting. They can go
14 in and generate reports to our crystal report writer.
15 We had a number of people trained on that.

16 And, again, that's exciting times. And I
17 think once we get into our fact book preparation and
18 pulling data from the field, and all the information
19 that the Executive Office and different offices in the
20 Corporation need in regards to the field, that it will
21 be much more readily accessible to us.

22 In the past you would have to go get -- for

1 instance, the CSR report, you have to go copy it and
2 then you would have to sit down and review it and
3 analyze it. Now, it's all electronic. So it is much
4 quicker and easier to handle.

5 Within the Compliance Office this \$64,000 that
6 is going to other operations is mainly through the
7 problem that we have had in hiring. There were three
8 new positions in this particular office and we have
9 just recently filled them. And the monies there lag
10 because of the time in getting people aboard and
11 getting them up to speed and working. So that 64,000
12 will go to help support other areas.

13 There are other areas of small internal
14 budgetary adjustments that the directors can make that
15 don't need board approval. We have made those. They
16 are included in this particular document.

17 One additional item that I need to bring to
18 your attention, and that is at the Ops and Regs
19 Committee you will see on your agenda that there is a
20 review of a retirement plan.

21 A year and a half ago, in October of '97, the
22 government increased the share of contribution for

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C-08950

1 retirement for the CSR, the Civil Service retirement,
2 the Civil Service offset, and the Federal Employees
3 Retirement Plan, the FERS. And they increased their
4 contribution to 8.51.

5 Since that time we have reviewed internally
6 our documents. We have had Peat Marwick and Mutual of
7 America -- Mutual of America being the firm who handles
8 our retirement plan. Peat Marwick is doing some
9 consulting work with Administration and HR who have
10 looked at our plans.

11 We have determined that the reason -- the way
12 the plan was set up originally, when we were forced out
13 of the Civil Service Retirement Plan, was that we would
14 make contributions based on the CSR offset. And at
15 this point we are going to be recommending through that
16 committee and through the board that we increase the
17 contribution 1½ percent.

18 What does that mean financially? This year it
19 will mean a \$12,000 increase in retirement.
20 Annualized, of course, it's about -- just multiplied
21 it's \$4.8 million. It's actually a little bit more
22 than that. It works out to about a \$60,000 increase in

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C-08951

1 retirement. Of course, that --

2 MR. SMEGAL: That's per year?

3 MR. RICHARDSON: Per year.

4 MR. SMEGAL: I am sorry, what was your first
5 12,000?

6 MR. RICHARDSON: Twelve thousand is just this
7 year because --

8 MR. SMEGAL: The rest of '99?

9 MR. RICHARDSON: The rest of '99.

10 CHAIR MERCADO: So it doesn't go retroactive
11 to one year and a half behind, but it's not going to go
12 retroactive to --

13 MR. RICHARDSON: It's not going retroactive.
14 What we are doing is it's an increase in the plan, but
15 it involves employee matching. So we did not want to
16 go back to the employee and say do you want to catch
17 this up. And, actually, there are some ERISA problems
18 with doing that --

19 MR. SMEGAL: With going back?

20 MR. RICHARDSON: With going back.

21 MR. SMEGAL: Did you compute what it would
22 cost if you had gone back to October of '97?

1 MR. RICHARDSON: I did not, but I can tell you
2 pretty much off the top it's 18 months, it's 60,000, it
3 would have been \$90,000 --

4 MR. SMEGAL: Okay.

5 MR. RICHARDSON: So what we have before you is
6 a revised budget that does not increase the bottom
7 line. The bottom line for the IG, and he did make some
8 internal budgetary adjustments, 2000 here, 5000 there.
9 They were very minor. The budget does not change.

10 If we meet all the expectations, all of the
11 spending that is projected here, I just want to report
12 to you that we will have approximately \$160,000 in
13 carry-over. Now, that's within this budget. There is
14 money outside this budget.

15 I had reported to you earlier that we did have
16 the litigation money. So there is approximately
17 230,000 that is not included in this budget. So if
18 somebody would ask me right today what is your
19 projected carry-over, I would say basically \$400,000.
20 So I would ask, and Management is asking, that you
21 approve this.

22 I have one addendum that I do need to make,

1 and I apologize to Mr. McKay and Mr. Hogan for bringing
2 this forward. We have not really talked about it a
3 whole lot. We have a 205,000 special emergency fund.
4 This year we have received \$17,000 in funds from grant
5 recoveries and questioned cost.

6 I would like to move that into the special
7 emergency funds. So what this would do would be
8 increase this 205,000, \$17,000 to \$220,000. I don't
9 think there would be an objection.

10 CHAIR MERCADO: I think with all the inclement
11 weather we have all over the place, that probably is
12 not a bad idea.

13 MS. FAIRBANKS-WILLIAMS: One question. It
14 says the occupancy cost for board of directors. Then
15 it says travel and transportation. Travel and lodging
16 I understand is in there, but what is the occupancy
17 costs? And your projected budget is \$2500, and the
18 other one is -- the other one is 2500. The projected
19 one is --

20 MR. RICHARDSON: What we have spent to date is
21 \$1,000. What that entail is, for instance, for this
22 meeting we have to pay a rental on this space. We are

1 having a meeting, of course, here and we are having a
2 meeting in Seattle in September. So we have got to pay
3 meeting room costs. That is part of the occupancy cost
4 that we paid through the board budget, and that's what
5 that is for.

6 MS. FAIRBANKS-WILLIAMS: Okay. So this is
7 travel occupancy cost and not a percentage of the
8 occupancy costs of the home office?

9 MR. RICHARDSON: That is correct. The total
10 budget for occupancy cost of the headquarters, you will
11 notice, is \$1.3 million. That is all in
12 administration.

13 MS. FAIRBANKS-WILLIAMS: That's all in M&A,
14 yeah.

15 MR. RICHARDSON: Yes. And if you look at my
16 office, Information Technology, Program Performance,
17 there is no cost there for occupancy.

18 The items where you have occupancy are where
19 they are having off-site meetings. For instance, we
20 are having strategic planning meetings. Through the
21 Executive Office Mauricio was planning to have a
22 strategic planning meeting with his office and go off

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C-08955

1 site. Inspector General, when they send people out
2 into the field occasionally they will need a meeting
3 room space to get together. So there is just small
4 occupancy costs that are outside of the headquarters
5 that we need to account for and budget for.

6 MR. SMEGAL: Is there any limitation of how
7 much we can move around? I notice the pluses and the
8 minuses are just under 500,000, 485,000. Any problem
9 with that?

10 MR. RICHARDSON: There is not. As a matter of
11 fact I am glad you brought that up. One of the little
12 spiels -- I had a little a script. There is nothing in
13 this presentation that would give rise to the need for
14 reprogramming either in Management Administration or
15 the Inspector General's Office. If we do find that
16 there is something that would require reprogramming, we
17 would definitely come back to you on that.

18 MR. SMEGAL: Thank you.

19 CHAIR MERCADO: I just had a question. As far
20 as the budget reallocations on the Inspector General,
21 do we have a breakdown of those or do we --

22 MR. RICHARDSON: I do. Like I said, I think

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1 there was an increase of \$5,000 in personnel
2 compensation. That was the biggest item. Most of them
3 were \$2,000 and \$3,000 adjustments.

4 CHAIR MERCADO: That's not significant.
5 That's fine.

6 Any questions? Any other questions from
7 anybody else?

8 (No response.)

9 MR. RICHARDSON: Now, what we as management
10 ask that you do is to approve this and, of course, then
11 present it to the full board.

12 By way of note, Maria Luisa pointed out to me
13 that there is not a Finance Committee agenda item on
14 the board meeting. So we need to talk with --

15 CHAIR MERCADO: To amend that.

16 Corporate secretary.

17 MR. MCKAY: We will see if we can find the
18 corporate secretary.

19 CHAIR MERCADO: Because I thought well, maybe,
20 we don't have any items to report.

21 MR. McCALPIN: 1641 wasn't on the Ops and Regs
22 Committee. It's on the board agenda.

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C-08957

1 MR. MCKAY: If there is some serious concern
2 about that I think our corporate secretary could come
3 up and opine this, too, the ability to have the board
4 receive the report of the Finance Committee.

5 Mr. Secretary/General Counsel.

6 MR. FORTUNO: 1641 is -- when it was done it
7 was an earlier trade-off for the --

8 MR. MCKAY: Okay.

9 CHAIR MERCADO: Excuse us while we divert for
10 a moment.

11 Suzanne, did you have a comment?

12 MS. GLASOW: I was just going to say maybe
13 it's on the agenda, the 1641.

14 CHAIR MERCADO: Okay, no. But I mean the
15 Finance Committee report is not on the agenda. So the
16 question is whether or not we could do it since it
17 didn't go out to Federal Register that way.

18 MR. MCKAY: Well, we will check the Federal
19 Register notice and update the chair before the
20 committee meeting.

21 If I could make on comment on the 403(b)
22 presentation that David made. We did concur among the

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1 staff and agree that we ought to present to Finance
2 issues of a recurring financial nature like the 403(b).
3 Historically we understand it's come before Ops and
4 Regs and it will be presented in more detail by Joan
5 Kennedy to Ops and Regs today.

6 And I would just invite Finance Committee
7 members or any board members to participate in that. I
8 think it's appropriate where you do have a recurring
9 expense like that, even though it's not huge at this
10 time, that it come before Finance, and that's why
11 David, I think, determined that he should brief you.
12 So that would be the only one I would highlight of the
13 points that Dave made.

14 MR. McCALPIN: David, did you give the numbers
15 for the 403(b) expense?

16 CHAIR MERCADO: Yes. Twelve thousand for this
17 year and about 60,000 for next year.

18 MR. SMEGAL: That's assuming, of course, that
19 everyone there elects to put in the voluntary 1
20 percent; isn't that correct?

21 MR. RICHARDSON: That's correct. What I am
22 doing is giving you the outside total.

1 Just to review a little bit. Currently our
2 plan pays 7 percent. It's 6 percent payment and then
3 it's a 1 percent match. What we are doing with this 1½
4 percent is saying, okay, you as an employee, we are
5 going to increase it to 8½ provided you put another 1½
6 percent in. So we are using that to give the employees
7 an incentive to continue contributing to increase the
8 contributions.

9 We did a review of that. There is only six
10 people out of 67 who give 1 percent.

11 MR. SMEGAL: Six people out of 67 who give
12 1 percent?

13 MR. RICHARDSON: So that was --

14 MR. SMEGAL: So why do you have more than six
15 people out of 67 putting in 2½ percent? Sounds to be
16 statistically to be insignificant. So you are really
17 looking at an outside projection that's way beyond what
18 it's going to cost us.

19 MR. RICHARDSON: I think it's the reverse.
20 Only six people give 1 percent. Everybody else is
21 giving more.

22 MR. SMEGAL: Oh.

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C-08960

1 MR. RICHARDSON: So they are going to get the
2 match.

3 MR. MCKAY: It's, maybe, very good
4 participation.

5 MR. SMEGAL: That's unusual. I find that in
6 the law firms I have managed through the years that the
7 younger people do not have that mentality. They want
8 the money. I am talking about people as young as Jim
9 Hogan.

10 MR. RICHARDSON: Our experience in the
11 Corporation -- like I said, we have got six people give
12 1 percent, we have got one person who doesn't give
13 anything, and another six people who give 2 percent.

14 MR. SMEGAL: Okay.

15 MR. RICHARDSON: So we have got excellent
16 participation. We look at this way, as encouraging
17 them to helping them further down the road.

18 MR. SMEGAL: Is there a qualification period
19 where you don't get to contribute for six months or so?

20 MR. RICHARDSON: No. What we did with the
21 last amendment was the -- even for a temporary
22 employee, they don't get a match but they can

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1 contribute to the program. So they can -- well, they
2 do get. I am sorry, I go back. They do get a match.

3 So if you hired on the 5th, the first day of
4 the next month you start getting contributions. There
5 is a two-year period. The first two years, if you
6 leave, all the money comes back to the Corporation.
7 After two years you get 50 percent of that money if you
8 would leave. And after three years you are fully
9 vested.

10 MR. SMEGAL: That match you can --

11 MR. RICHARDSON: That would be a match --

12 MR. SMEGAL: Not what's been 7 percent, but
13 the extra one?

14 MR. RICHARDSON: Their contribution --

15 MR. SMEGAL: He gets the seven no matter what?

16 MR. RICHARDSON: No. There is the vesting
17 requirements.

18 MR. SMEGAL: Right.

19 MR. RICHARDSON: We would pay seven. But if
20 you leave prior to the two-year period it all comes
21 back to the Corporation.

22 MR. SMEGAL: The whole seven?

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1 MR. RICHARDSON: The whole seven.

2 MR. SMEGAL: And also the 08.51?

3 MR. RICHARDSON: That's correct.

4 CHAIR MERCADO: Any other questions?

5 (No response.)

6 M O T I O N

7 CHAIR MERCADO: If not, I would entertain a
8 motion to approve the reallocation of the revised FY
9 '99 budget.

10 MR. BRODERICK: So moved.

11 MR. SMEGAL: Second.

12 CHAIR MERCADO: All those in favor?

13 (Chorus of ayes.)

14 CHAIR MERCADO: Motion carried.

15 I think our next item on the agenda is
16 testimony regarding the budgetary needs for FY 2001.

17 MR. RICHARDSON: If I could just take a
18 moment. This item will not take long at all. What I
19 have done is I have placed this item for the 2001
20 budget on the agenda only to put it on the scope, you
21 might say, to bring people's attention to it. And I
22 did.

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C-08963

1 I got a couple of calls this week, what kind
2 of budget are you going to propose for 2001. I got a
3 call from NLADA members. All I was trying to do was to
4 put it on the scope because what we want to do is in
5 September we want anybody who has a family to come in
6 with the amount of money that they would project and
7 that they would request for the 2001 budget.

8 What you have before you is the budget that we
9 requested for Year 2000. And you will see that we
10 requested, of course, 340 in '99; and Year 2000
11 somewhat differently aligned. And then our
12 appropriation is 300 million.

13 I am happy to report to you that -- and you
14 will get this later -- that the Senate Subcommittee on
15 our appropriations we did get reported out of committee
16 a \$300,000 budget which, if you look -- 300 million,
17 excuse me -- which matches Column 2, the breakout. And
18 Mauricio will report to you on that later during the
19 full board, but I thought that was some good news.

20 Again, this is just to put it out there on the
21 radar so that when we come in September, that if we
22 have anybody from the ABA, the NLADA or any of the

1 groups that normally testify on our behalf, if they
2 would like to bring a budget forward and give testimony
3 to the board in Seattle, we would welcome that.

4 MR. SMEGAL: Is that it?

5 MR. RICHARDSON: That is it.

6 MR. SMEGAL: Okay. Is there another agenda
7 item?

8 MR. BRODERICK: I don't think so, no.

9 MR. SMEGAL: Consider and act on other
10 business. Is there any other business to come before
11 the Finance Committee at this time?

12 (No response.)

13 MR. SMEGAL: Seeing no indication that there
14 is such, I would -- any public comment?

15 M O T I O N

16 MR. SMEGAL: In the absence of public comment,
17 I will entertain a motion to adjourn.

18 MR. BRODERICK: So moved.

19 A PARTICIPANT: Second.

20 MR. SMEGAL: Those in favor, please say aye.

21 (Chorus of ayes.)

22 MR. SMEGAL: We are adjourned.

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(Whereupon, at 9:55 a.m., the meeting was
adjourned.)

* * * * *